

FOR IMMEDIATE RELEASE:

## Furusato Announces Financial Results for the Second Quarter Ended September 30, 2009

Osaka, Japan, November 4, 2009 – Furusato Industries, Ltd. announced its consolidated financial results in the second quarter and the first half of the year ending March 31, 2010. All financial information has been prepared in accordance with accounting principles generally accepted in Japan. The following summary of the financial results is unaudited and for reference only.

Securities Traded : The First Section of the Tokyo Stock Exchange  
The First Section of the Osaka Securities Exchange  
Code Number : 8087

All figures are rounded down to the nearest million yen.

### CONSOLIDATED FINANCIAL RESULTS

#### 1. Business Results

	Six Months Ended September 30, 2009	Six Months Ended September 30, 2008
<b>Operating Results:</b>	(Millions of Yen)	(Millions of Yen)
Net Sales	¥ <b>25,786</b>	¥ 46,712
Operating Income	<b>(653)</b>	2,660
Ordinary Income	<b>(524)</b>	2,889
Net Income	<b>(423)</b>	1,159
<b>Per Share Data:</b>	(Yen)	(Yen)
Net Income	¥ <b>(26.77)</b>	¥ 73.35
	<b>As of September 30, 2009</b>	As of March 31, 2009
<b>Financial Position:</b>	(Millions of Yen)	(Millions of Yen)
Total Assets	¥ <b>42,400</b>	¥ 47,171
Net Assets	<b>29,203</b>	29,987
Net Assets to Total Assets	<b>68.9%</b>	63.6%
<b>Per Share Data:</b>	(Yen)	(Yen)
Net Assets	¥ <b>1,848.04</b>	¥ 1,897.58

Notes:

1. Changes in major subsidiaries during the period under review  
(changes in specific subsidiaries involving changes in the scope of consolidation): No
2. Adoption of simplified accounting methods and accounting methods particular to the preparation of quarterly financial statements: Yes
3. Changes in accounting principles, procedures or methods of presentation associated with quarterly financial statements  
(significant changes in basis for preparation of quarterly financial statements)
  - 1) Changes resulting from revisions to accounting standards: No
  - 2) Other changes: No

## 4. Number of shares Issued and outstanding (common stock)

## 1) Number of shares issued and outstanding at the end of period (including treasury stock)

September 30, 2009: 16,438,648 shares

March 31, 2009: 16,438,648 shares

## 2) Number of treasury stock at the end of period

September 30, 2009: 636,164 shares

March 31, 2009: 635,757 shares

## 3) Average number of shares issued and outstanding for the period (consolidated, cumulative)

September 30, 2009: 15,802,639 shares

September 30, 2008: 15,804,099 shares

## 2. Dividends

	Dividends Per Share (Yen)				
	1Q	2Q	3Q	Year-end	Annual
Fiscal Year Ended March 31, 2009	-	10.00	-	17.50	27.50
Fiscal Year Ending March 31, 2010	-	5.00			
Fiscal Year Ending March 31, 2010 (Forecast)			-	5.00	10.00

### CONSOLIDATED EARNINGS FORECAST FOR FISCAL 2009, ENDING MARCH 31, 2010

	Full-Year	% Change
<b>Operating Results:</b>	(Millions of Yen)	
Net Sales	¥ 54,300	(34.7%)
Operating Income	(770)	-
Ordinary Income	(530)	-
Net Income	(590)	-
<b>Per Share Data:</b>	(Yen)	
Net Income	¥ (37.34)	-

\*The forecasts involve our management's assumptions, prospects and plans based on the information currently available. Actual results may differ materially from the expectations depending on various factors.

## 【REFERENCE】 NON-CONSOLIDATED EARNINGS FORECAST FOR FISCAL 2009, ENDING MARCH 31, 2010

	Full-Year	% change
<b>Operating Results:</b>	(Millions of Yen)	
Net Sales	¥ 20,000	(30.4%)
Operating Income	40	(98.6%)
Ordinary Income	230	(92.5%)
Net Income	80	(94.7%)
<b>Per Share Data:</b>	(Yen)	
Net Income	¥ 5.06	-

**RESULTS OF OPERATIONS AND FINANCIAL POSITION (SIX MONTHS ENDED SEPTEMBER 30, 2009)****1. Analysis of Operating Results****(1) Overview of Results**

During the six months ended September 30, 2009, the first half of the year ending March 31, 2010, the Japanese economy has been showing the first signs of improving, reflecting the end of inventory adjustment cycle and the positive impact of the economic stimulus measures. Meanwhile, there were concerns over further deterioration in employment conditions, due mainly to a considerably-low factory operating rate.

In the steel frame construction supplies business, the demand, especially for capital investment-related buildings, has severely declined. The floor area of steel frame building starts further decreased by 41.9% year over year for three-month period from April to June, following an 18.9% year-over-year decrease for three-month period from January to March. In terms of monthly demand, it was down 38.7% in July and down 43.9% in August, respectively compared with the same period of the previous year. There was as yet no sign of a recovery.

In the machines and industrial tools business, production status in the manufacturing sector remained at a low level despite the progress of the inventory adjustment process. In regard to the Indices of Industrial Production indicating the factory operating rate, general machinery was down 48.0% for the three months from April to June and down 42.0% from the three months from July to September. Transport equipment excluding railways and ships was down 44.4% for three-month period from April to June and down 28.9% for three-month period from July to September. Meanwhile, the corporate capital investment in the manufacturing sector stayed at a relatively low level. According to the machine tool orders, a leading indicator of the corporate capital investment, domestic orders recorded a 67.3% year-over-year decrease for the three-month period from July to September, which slightly improved from 76.5% year-over-year decrease for three-month period from April to June.

Under this worst business environment, Furusato group strived to decrease manufacturing costs and operating expenses, and reduce its inventory, coupled with the efforts on securing orders. However, our selling price decline resulting from the fierce competition and excess stock of in-house products put pressure on profit margin.

Consequently, during the six months ended September 30, 2009, net sales decreased by 44.8% to ¥25,786 million compared with the same period a year ago, operating loss amounted to ¥653 million, and ordinary loss was ¥524 million. Net loss was ¥423 million.

**Analysis of Results by Segment****〈Machine Tools Segment〉**

Segment sales decreased by 49.4% to ¥16,018 million, and operating loss was ¥577 millions. The Machines business, offering machine tools, significantly decreased by 70.9%, while Industrial Tools business with the highest sales volume in this segment was down 44.0% amid the severe business environment. The Housing Equipments business recorded a 17.3% year-over-year increase as a result of focus on remodeling demand. Gifu Shoji was down 62.8% due to slumping demand for cutting tools in the automotive parts industry.

**〈Procured Construction Supplies Segment〉**

Segment sales decreased by 34.9% to ¥7,583 million, and operating income decreased by 78.7% to ¥287 million compared with the corresponding period a year ago. In the steel frame building business, the main factors of plunging sales were a decrease in steel prices by more than 40% and our declining selling price due to the fierce competition, coupled with shrinking demand. Plumbing business decreased by 32.5% in sales due primarily to a price decline in stainless products.

**〈In-house Construction Supplies Segment〉**

Segment sales decreased by 36.0% to ¥2,169 million, and operating loss was ¥423 million compared with the comparable period of fiscal 2008. The reasons for the sluggish results were shrinking gross profit margin resulting from a significant drop in production output at our own plants and increased inventories of raw materials in line with decreased net sales.

**(2) Overview of Consolidated financial position and cash flows****〈Total assets〉**

As of September 30, 2009, total assets decreased by ¥4,770 million to ¥42,400 million from the end of the previous fiscal year. That was due primarily to decreased current assets of ¥4,164 million including an increase

in cash and deposits of ¥1,803 million, a decrease in notes and accounts receivable-trade of ¥5,113 million and a decrease in merchandise and finished goods of ¥782 million.

〈Liabilities〉

Total liabilities totaled to ¥13,197 million, a decrease of ¥3,986 million from the fiscal 2008 year-end. This resulted from decreased current liabilities of ¥2,938 million including a decrease in notes and accounts payable-trade of ¥3,214 million, a decrease in income taxes payable of ¥259 million, and an increase in short-term loans payable of ¥740 million, in line with decreased noncurrent liabilities of ¥1,047 million including a decrease in long-term loans payable of ¥900 million.

〈Net assets〉

Net assets decreased by ¥783 million to ¥29,203 million from the end of the previous fiscal year. This was attributed to net loss of ¥423 million and dividend paid of ¥276 million.

Accordingly, net assets to total assets increased to 68.9% from 63.6%.

〈Cash flows〉

Consolidated cash and cash equivalents (hereinafter referred to as "cash") as of September 30, 2009 increased by ¥1,802 million to ¥8,341 million from the end of fiscal 2008.

Each cash flow in the first half of fiscal 2009 is as follows:

〈Net cash from operating activities〉

Net cash provided by operating activities increased by ¥2,280 million. Factors behind the result were loss before income taxes of ¥519 million, a decrease in trade notes and accounts payable of ¥3,199 million and income taxes paid of ¥297 million, which counted contribution from a decrease in notes and accounts receivable-trade of ¥5,076 million and a decrease in inventory of ¥1,073 million.

〈Net cash from investing activities〉

Net cash used in investing activities decreased by ¥41 million, mainly resulting from purchase of property, plant and equipment of ¥28 million and purchase of investment securities of ¥5 million.

〈Net cash from financing activities〉

Net cash used in financing activities dropped by ¥436 million. That was mainly owing to repayment of long-term loans payable of ¥150 million and cash dividends paid of ¥275 million.

### **(3) Earnings Forecast for fiscal 2009, ending March 31, 2010**

Furusato announced the revision to the full-year earnings forecasts for the year ending March 31, 2010 on October 28, 2009.

The full-year sales and profits are expected to significantly fall short of the forecasts announced on May 8, 2009 due to a decline in net sales resulting from sluggish corporate capital investment and a downturn in profitability, impacted by the fierce price competition under the economic recession.

## CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	Thousands of Yen	
	September 30, 2009	March 31, 2009
	Amounts	Amounts
<b>Assets</b>		
<b>Current assets:</b>		
Cash and deposits	¥ 8,428,767	¥ 6,624,942
Notes and accounts receivable-trade	15,142,027	20,255,391
Merchandise and finished goods	2,889,054	3,671,595
Work in process	446,287	696,062
Raw materials and supplies	167,492	208,906
Deferred tax assets	396,858	278,004
Other	371,433	286,579
Allowance for doubtful accounts	(34,235)	(49,329)
<b>Total current assets</b>	<b>27,807,684</b>	<b>31,972,152</b>
<b>Noncurrent assets:</b>		
<b>Property, plant and equipment:</b>		
Buildings and structures, net	2,820,602	2,911,567
Land	6,801,723	6,801,723
Other, net	534,546	612,262
<b>Total property, plant and equipment</b>	<b>10,156,873</b>	<b>10,325,553</b>
<b>Intangible assets:</b>		
Goodwill	932,288	1,087,665
Other	131,788	142,446
<b>Total intangible assets</b>	<b>1,064,077</b>	<b>1,230,111</b>
<b>Investments and other assets:</b>		
Investment securities	2,265,847	2,437,193
Prepaid pension cost	58,372	138,943
Deferred tax assets	357,768	372,879
Other	801,483	809,352
Allowance for doubtful accounts	(111,177)	(115,157)
<b>Total investments and other assets</b>	<b>3,372,294</b>	<b>3,643,211</b>
<b>Total noncurrent assets</b>	<b>14,593,245</b>	<b>15,198,876</b>
<b>Total assets</b>	<b>¥ 42,400,929</b>	<b>¥ 47,171,028</b>

Note: All figures are rounded down to the nearest thousand yen.

	Thousands of Yen	
	September 30, 2009	March 31, 2009
	Amounts	Amounts
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Notes and accounts payable-trade	¥ 9,594,344	¥ 12,809,323
Short-term loans payable	1,050,000	310,000
Income taxes payable	65,920	325,269
Provision for bonuses	480,655	494,190
Provision for directors' bonuses	10,373	15,133
Other	475,063	661,275
<b>Total current liabilities</b>	<b>11,676,356</b>	<b>14,615,191</b>
<b>Noncurrent liabilities:</b>		
Long-term loans payable	-	900,000
Deferred tax liabilities	359,332	491,651
Provision for retirement benefits	884,878	903,468
Provision for directors' retirement benefits	54,599	51,199
Other	222,211	222,211
<b>Total noncurrent liabilities</b>	<b>1,521,022</b>	<b>2,568,531</b>
<b>Total liabilities</b>	<b>13,197,378</b>	<b>17,183,723</b>
<b>Net Assets</b>		
<b>Shareholders' equity:</b>		
Capital stock	5,232,413	5,232,413
Capital surplus	6,446,673	6,446,673
Retained earnings	17,160,701	17,860,313
Treasury stock	(187,682)	(187,380)
<b>Total shareholders' equity</b>	<b>28,652,106</b>	<b>29,352,021</b>
<b>Valuation and translation adjustments:</b>		
Valuation difference on available-for-sale securities	551,443	635,283
<b>Total valuation and translation adjustments</b>	<b>551,443</b>	<b>635,283</b>
<b>Total net assets</b>	<b>29,203,550</b>	<b>29,987,305</b>
<b>Total liabilities and net assets</b>	<b>¥ 42,400,929</b>	<b>¥ 47,171,028</b>

Note: All figures are rounded down to the nearest thousand yen.

**CONSOLIDATED STATEMENTS OF INCOME FOR THE FIRST HALF OF FISCAL 2009**  
 (UNAUDITED)

	Thousands of Yen	
	Six months ended September 30, 2008	Six months ended September 30, 2009
	Amounts	Amounts
Net sales	¥ 46,712,802	¥ 25,786,754
Cost of sales	39,303,726	22,078,866
Gross profit	7,409,076	3,707,888
Selling, general and administrative expenses	4,748,505	4,361,166
Operating income (loss)	2,660,570	(653,278)
Non-operating income:		
Interest income	3,304	2,665
Dividends income	30,274	20,131
Purchase discounts	288,336	153,921
Rent income	28,027	28,166
Other	23,478	15,138
Total non-operating income	373,420	220,024
Non-operating expenses:		
Interest expenses	10,980	5,984
Loss on sales of notes payable	6,806	2,004
Sales discounts	117,108	72,514
Cost of lease revenue	6,303	8,759
Other	2,849	2,079
Total non-operating expenses	144,048	91,342
Ordinary income (loss)	2,889,942	(524,595)
Extraordinary income:		
Reversal of allowance for doubtful accounts	22,978	5,400
Total extraordinary income	22,978	5,400
Extraordinary loss:		
Loss on valuation of membership	-	650
Loss on retirement of noncurrent assets	19,299	-
Loss on valuation of investment securities	485,062	-
Directors' retirement benefits	107,008	-
Total extraordinary loss	611,370	650
Income (loss) before income taxes	2,301,550	(519,845)
Income taxes-current	1,088,256	45,928
Income taxes-deferred	54,095	(142,711)
Total income taxes	1,142,352	(96,783)
Net income (loss)	¥ 1,159,198	¥ (423,061)

Note: All figures are rounded down to the nearest thousand yen.

**CONSOLIDATED STATEMENTS OF INCOME FOR THE SECOND QUARTER OF FISCAL 2009**  
 (UNAUDITED)

	Thousands of Yen	
	Three months ended September 30, 2008	Three months ended September 30, 2009
	Amounts	Amounts
Net sales	¥ 24,283,293	¥ 13,454,420
Cost of sales	20,383,610	11,530,073
Gross profit	3,899,682	1,924,347
Selling, general and administrative expenses	2,361,868	2,168,415
Operating income (loss)	1,537,814	(244,068)
Non-operating income:		
Interest income	2,697	2,253
Dividends income	4,070	1,231
Purchase discounts	142,334	78,745
Rent income	14,065	14,108
Other	14,542	6,586
Total non-operating income	177,711	102,926
Non-operating expenses:		
Interest expenses	5,226	2,805
Loss on sales of notes payable	2,704	993
Sales discounts	55,403	35,360
Cost of lease revenue	3,151	3,667
Other	1,897	1,350
Total non-operating expenses	68,383	44,175
Ordinary income (loss)	1,647,142	(185,317)
Extraordinary loss:		
Loss on valuation of membership	-	650
Loss on valuation of investment securities	485,062	-
Total extraordinary loss	485,062	650
Income (loss) before income taxes	1,162,079	(185,967)
Income taxes-current	701,591	(15,092)
Income taxes-deferred	(87,510)	(2,179)
Total income taxes	614,081	(17,272)
Net income (loss)	¥ 547,998	¥ (168,695)

Note: All figures are rounded down to the nearest thousand yen.

## CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Thousands of Yen	
	Six months ended September 30, 2008	Six months ended September 30, 2009
	Amounts	Amounts
<b>Cash flows from operating activities:</b>		
Income (loss) before income taxes	¥ 2,301,550	¥ (519,845)
Depreciation and amortization	214,575	196,725
Amortization of goodwill	155,376	155,376
Decrease in provision for directors' bonuses	(16,400)	(4,760)
Increase (decrease) in provision for retirement benefits	20,753	(18,589)
Decrease in prepaid pension costs	-	80,570
Increase (decrease) in provision for directors' retirement benefits	(661,131)	3,400
Increase (decrease) in provision for bonuses	12,381	(13,535)
Decrease in allowance for doubtful accounts	(36,320)	(19,073)
Interest and dividends income	(33,578)	(22,797)
Interest expenses	10,980	5,984
Loss on valuation of investment securities	485,062	-
Decrease in notes and accounts receivable-trade	357,737	5,076,122
Decrease (increase) in inventories	(586,344)	1,073,730
Decrease in notes and accounts payable-trade	(262,383)	(3,199,265)
Decrease in accounts payable-other	(24,218)	(30,790)
Increase in accrued expenses	4,552	1,051
Increase in long-term accounts payable-other	200,810	-
Other	11,917	(201,226)
Subtotal	2,155,321	2,563,077
Interest and dividends income received	33,532	22,654
Interest expenses paid	(11,634)	(7,861)
Income taxes paid	(870,527)	(297,385)
<b>Net cash provided by operating activities</b>	<b>1,306,692</b>	<b>2,280,485</b>
<b>Cash flows from investing activities:</b>		
Payments into time deposits	(45,755)	(46,693)
Proceeds from withdrawal of time deposits	36,151	45,755
Purchase of property, plant and equipment	(276,831)	(28,234)
Proceeds from sales of property, plant and equipment	10,448	219
Purchase of investment securities	(6,264)	(5,843)
Purchase of investments in subsidiaries	(645)	-
Payments of loans receivable	(7,950)	(6,880)
Collection of loans receivable	6,532	9,289
Other	(7,235)	(9,207)
<b>Net cash used in investing activities</b>	<b>(291,548)</b>	<b>(41,594)</b>
<b>Cash flows from financing activities:</b>		
Net decrease in short-term loans payable	(295,000)	(10,000)
Repayment of long-term loans payable	(150,000)	(150,000)
Purchase of treasury stock	(894)	(302)
Cash dividends paid	(487,747)	(275,701)
<b>Net cash used in financing activities</b>	<b>(933,642)</b>	<b>(436,004)</b>
<b>Net increase in cash and cash equivalents</b>	<b>81,501</b>	<b>1,802,887</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>3,541,908</b>	<b>6,539,018</b>
<b>Cash and cash equivalents at end of period</b>	<b>¥ 3,623,409</b>	<b>¥ 8,341,905</b>

Note: All figures are rounded down to the nearest thousand yen.

## SEGMENT INFORMATION

## 1. Business Segment Information

2nd Quarter of FY2008 (from July 1, 2008 to September 30, 2008)

(Thousands of Yen)

	Net sales			Operating income
	To customers	Intersegment	Total	
Machine Tools	¥ 16,385,562	¥ 288,374	¥ 16,673,936	¥ 518,372
Procured Construction Supplies	6,055,999	4,052	6,060,052	745,546
In-house Construction Supplies	1,834,160	-	1,834,160	239,353
Other	7,571	-	7,571	1,512
Total	24,283,293	292,426	24,575,720	1,504,784
Eliminations/ Corporate	-	(292,426)	(292,426)	33,030
Consolidated	¥ 24,283,293	-	¥ 24,283,293	¥ 1,537,814

2nd Quarter of FY2009 (from July 1, 2009 to September 30, 2009)

(Thousands of Yen)

	Net sales			Operating income (loss)
	To customers	Intersegment	Total	
Machine Tools	¥ 8,414,996	¥ 197,734	¥ 8,612,731	¥ (228,967)
Procured Construction Supplies	3,912,306	2,492	3,914,799	155,346
In-house Construction Supplies	1,120,563	-	1,120,563	(200,382)
Other	6,553	-	6,553	869
Total	13,454,420	200,227	13,654,648	(273,133)
Eliminations/ Corporate	-	(200,227)	(200,227)	29,065
Consolidated	¥ 13,454,420	-	¥ 13,454,420	¥ (244,068)

First Half of FY2008 (from April 1, 2008 to September 30, 2008)

(Thousands of Yen)

	Net sales			Operating income
	To customers	Intersegment	Total	
Machine Tools	¥ 31,651,184	¥ 546,151	¥ 32,197,336	¥ 853,493
Procured Construction Supplies	11,654,113	8,384	11,662,497	1,351,058
In-house Construction Supplies	3,390,561	-	3,390,561	388,323
Other	16,944	-	16,944	3,798
Total	46,712,802	554,536	47,267,339	2,596,673
Eliminations/ Corporate	-	(554,536)	(554,536)	63,897
Consolidated	¥ 46,712,802	-	¥ 46,712,802	¥ 2,660,570

First Half of FY2009 (from April 1, 2009 to September 30, 2009)

(Thousands of Yen)

	Net sales			Operating income (loss)
	To customers	Intersegment	Total	
Machine Tools	¥ 16,018,914	¥ 348,159	¥ 16,367,074	¥ (577,169)
Procured Construction Supplies	7,583,735	5,571	7,589,306	287,950
In-house Construction Supplies	2,169,176	-	2,169,176	(423,741)
Other	14,928	-	14,928	3,560
Total	25,786,754	353,731	26,140,486	(709,399)
Eliminations/ Corporate	-	(353,731)	(353,731)	56,121
Consolidated	¥ 25,786,754	-	¥ 25,786,754	¥ (653,278)

## Notes:

1. Business segments are classified according to similarity of sorts and characters of manufactured and procured goods and operating groups used for the internal management.

2. Major products and services by segment

(1) Machine Tools:

Industrial tools, machine tools, material handlings, housing equipments, and electric appliances and consumable supplies

(2) Procured Construction Supplies:

High strength bolts, fastening products, welding supplies, coating materials and steel frame-related supplies

(3) In-house Construction Supplies: Turnbuckle braces and foundation bolts

(4) Other: Agent businesses, lease services and sale of procured supplies

3. All figures are rounded down to the nearest thousand yen.

## **2. Geographical Segment Information**

Omitted because Furusato group did not operate any consolidated subsidiaries and branches outside of Japan.

## **3. Overseas Sales**

Omitted because the overseas sales volume was less than 10% of the consolidated net sales.